



Boone County, Indiana

Established 1830

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Date: August 28, 2009
To: J. Barry Wood
Director of Assessments
Indiana Department of Local Government Finance

Re: SUMMARY REPORT
2009 BOONE COUNTY ANNUAL UPDATE RATIO STUDY

Dear Mr. Wood,

The following document is issued as supporting documentation to the 2009 Boone County Annual adjustment process and subsequent Ratio Study submitted to the Indiana Department of Local Government Finance on August 28, 2009. The Ratio Study was submitted via e-mail, to your attention, in Microsoft Excel format.

The annual adjustment process was performed by Government Utilities Technology Service (GUTS). Upon completion of a preliminary ratio study for Boone County, the following observations and adjustments were made in accordance with IC6-1.1-4 and the Real Property Assessment Guidelines for 2002-Version A.

I. RESIDENTIAL PROPERTIES

- **Sales Data (50 IAC 21-3-3 and DLGF MEMORANDUM Dated February 4, 2009):** Boone County used only 2008 sales when this exclusivity was supported by the necessary percentage of sale ratio required to support uniform and accurate assessments for Improved Residential properties. This percentage was determined to be 3%. If the percentage of sale fell below 3%, then 2007 and 2008 sales were used.
- A recap of the Improved Residential sales used in each Township are as follows:

CENTER	2008 SALES ONLY- 3% REPRESENTED
CLINTON	2008 SALES ONLY- 3% REPRESENTED
EAGLE	2008 SALES ONLY- 6% REPRESENTED
HARRISON	2007 & 2008 SALES USED – 3% REPRESENTED
JACKSON	2007 & 2008 SALES USED – 3% REPRESENTED
JEFFERSON	2007 & 2008 SALES USED – 4% REPRESENTED
MARION	2007 & 2008 SALES USED – 4% REPRESENTED

PERRY	2007 & 2008 SALES USED – 3% REPRESENTED
SUGARCREEK	2007 & 2008 SALES USED – 4% REPRESENTED
UNION	2008 SALES ONLY- 7% REPRESENTED
WASHINGTON	2007 & 2008 SALES USED – 4% REPRESENTED
WORTH	2008 SALES ONLY- 7% REPRESENTED

- Sufficient sales (at least 3%) were present in every Township within Boone County thus minimal adjustments were made to sales data for time on Improved Residential properties. On the rare occasion that sales were considered outside the window specified in Indiana Code, the proper adjustments were made per IAAO standards and applied in accordance with IC 6-1.1-4. For Vacant Residential properties (land only), 2007 and 2008 sales were used due to the insufficient number of sales in 2008 only. Since this is the first year for possible usage of only one year of sales data, we have included an Excel spreadsheet in this submittal that shows the required statistical breakdown (COD, PRD and Median Ratio) differences when only 2008 sales were used vs. when 2007 *AND* 2008 were used. It should be noted that the 2009 trending process has uncovered a significant number of sales resulting from foreclosure, default, short sale, and bankruptcy in Boone County. In many cases, not all, these must be considered invalid.
- **Neighborhood Delineations (50 IAC 31-4-1):** A review of the existing residential neighborhood structure for Boone County indicated that the current numbering format and stratification was deemed acceptable in displaying homogenous qualities. The numbering format is such that each neighborhood can be identified by Township by numerical order. As in previous years, some residential neighborhoods required further stratification for differences in lot size and selling price. New neighborhoods were created and applicable parcels moved as supported by sales data.
- **Land Values Reviewed (50 IAC 21-4-2):** Upon review of the existing residential land values, vacant land sales indicated the need for adjustments to both home site base rates and residual rates in several rural, non-platted areas. Using both vacant lot sales and Land-to-Value Ratio comparisons, considerable adjustments were made to platted subdivision land rates. It should be noted that vacant land sales were sparse in the rural area of Boone County. It should also be noted that many rural sales involve land that is being farmed and thus assessed as agricultural. This almost always results in a skewed ration between assessed value and price paid (market value). In almost every instance, this was considered invalid. Also, many vacant land sales are still being assessed at the developer rate and must always be considered invalid until they are fully assessed.

Considerable effort was made to review and change land assessments as they pertain to the MEMORANDUM from the DLGF regarding the classification and valuation of agricultural land. Many changes were made to land assessments that were erroneously classified as agricultural land.

Due to the sparse number of valid residential vacant land sales, several townships were combined in the ratio study. Please refer to the tabs in the residential spreadsheet labeled “vacant consolidated”.

- **Application of Factor (50 IAC21-5-2)** With ample residential improved sales, new neighborhood factors were calculated and applied in accordance with IC6-1.1-4 and the Real Property Assessment Guidelines for 2002-Version A. Some factors increased, others decreased and many remained the same. The average change for all residential neighborhoods is -1%.

II. COMMERCIAL-INDUSTRIAL PROPERTIES

- **Sales Data (50 IAC 21-3-3):** Boone County considered all valid approaches to value (Sales, Cost, and Income) for Commercial/Industrial properties. All available 2007 and 2008 improved Commercial and Industrial sales were reviewed. There were not sufficient sales to utilize the sales comparison approach exclusively so other approaches to valuation were considered and researched in accordance with IAAO standards.
- **Income data (50 IAC 21-3-3):** GUTS is continuing the process of incorporating the income approach in the calculation and verification of income-producing, commercial/industrial assessments. The sources for the data used in these assessments were gathered from individual taxpayer income & expense data, public access documentation and IncomeWorks software. Through the process of modeling, GUTS has calculated and/or considered income data for every applicable commercial property in the county. Major changes and updates were made to several commercial neighborhoods including Anson, Perry Industrial Park, and the Lebanon City Square.
- **Neighborhood Delineations (50 IAC 31-4-1)** All Commercial/Industrial neighborhoods were evaluated and subtle changes were made to neighborhood delineations. New boundaries were established and some combined as to maintain consistency and equality across jurisdictions.
- **Land Values Reviewed (50 IAC 21-4-2)** Updates were also made to Commercial/Industrial Unimproved properties as sales indicated. Vacant land sales were used to establish new base rates where applicable. Aerial photography was used to correct invalid land classification allocations.

Application of Factor (50 IAC 21-5-2) and overall commercial market status. As previously stated, there were not ample sales for C/I properties. It is a well published fact that the economy and related real estate market is weak, sluggish, and down in value compared to 2008. Due to the lack of sales for commercial properties, attention was focused upon the cost and income approach to value.

The sluggish economy was directly reflected in the capitalization rates, rental rates and other pertinent economic indicators involved in calculating values based upon income. A significant commercial market in Boone County is for “big-box warehouse” properties (200,000 – 1,000,000+ Square feet). Based upon the income & expense data gathered, the value foot for this class of property is down, on average, about \$6.75 per square foot. Also, the income data is showing some rather significant changes in commercial strip retail and Tier 1 office markets and the change is also in the negative. Multi-family properties do seem to have remained robust during the economic downturn.